



ADMINISTRATION FOR
CHILDREN & FAMILIES

Office of Head Start | 8th Floor Portals Building, 1250 Maryland Ave, SW, Washington DC 20024 | eclkc.ohs.acf.hhs.gov

To: Board Chairperson

*Mr. John Calvin Davis
Board Chairperson
Community Action Organization of Erie County, Inc.
70 Harvard Pl.
Buffalo, NY 14209-1309*

From: Responsible HHS Official

*Ms. Ann Linehan
Acting Director, Office of Head Start*

Ross Weaver ^{for} *2/28/14*
Date

Overview of Findings

On 9/16/2013, the Administration for Children and Families (ACF) conducted a monitoring review of the Community Action Organization of Erie County, Inc. Head Start and Early Head Start programs to determine whether the previously identified findings had been corrected.

Based on the information gathered during our review, we have closed the previously identified findings. Accordingly, no corrective action is required at this time. If you have questions about this report, please contact your ACF Regional Office.

This Head Start Review Report has been issued to Mr. John Calvin Davis, Board Chairperson, as legal notice to your agency of the results of the program review.

Distribution of the Head Start Review Report

Copies of this report will be distributed to the following recipients:

Ms. Carolyn Baker-Goode, Acting Regional Program Manager

Ms. Yesenia Pimentel PC Chairperson, Policy Council Chairperson

Mr. L. Nathan Hare CAO/President, CEO/Executive Director/Head Start Director

Overview Information

Review Type:	<i>Desk Review</i>
Organization:	<i>Community Action Organization of Erie County, Inc.</i>
Program Type:	<i>Head Start and Early Head Start</i>
Team Leader:	<i>Ms. Evangeline Santiago-Artesona</i>
Purpose:	<i>Follow Up</i>
Funded Enrollment HS:	<i>1890</i>
Funded Enrollment EHS:	<i>205</i>

Status of Previously Identified Areas of Noncompliance

Fiscal Integrity

Date of Review in which Noncompliance was identified	Applicable Standards	Program Type	Status	Finding Type
Mar 17, 2013	74.28	HS and EHS	Corrected	Cost Principles
Mar 17, 2013	230, App A(A)(4)(a)(2)	HS and EHS	Corrected	Cost Principles

PART 74 - Financial And Program Management

74.28 Period of availability of funds.

Where a funding period is specified, a recipient may charge to the award only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the HHS awarding agency pursuant to Sec. 74.25(d)(1).

Triennial (3/17/2013)

The grantee did not ensure Head Start expenditures charged to the award were incurred during the correct funding period. Costs incurred by the grantee during the program year ending (PYE) February 28, 2013 were charged to PYE February 29, 2012.

A review of the total expenditures claimed on the Final SF-425 for PYE February 29, 2012 found they did not reconcile with the audited financial statements. The Final SF-425 for PYE February 29, 2012 showed the total Federal share of expenditures was \$21,253,522 as supported by the General Ledger. A review of the annual audit for the same period showed total Head Start expenditures were \$21,129,610, or \$123,912 less than the amount supported by the General Ledger.

In an interview, the grantee's Chief Financial Officer stated the \$123,912 difference was attributable to expenditures for an Early Head Start (EHS) expansion grant. A review of the grantee's General Ledger found the \$123,912 was for EHS salaries and fringe benefits for the period March 1 through 31, 2012: 1 month after the end of PYE February 29, 2012. The \$123,912 was expended in Program Year (PY) March 1, 2012 through February 28, 2013 and charged to PY March 1, 2011 through February 29, 2012.

The grantee did not ensure Head Start expenditures charged to the award were incurred during the correct funding period; therefore, it was not in compliance with the regulation.

Additional fieldwork may be required in order to determine the total amount of potentially unallowable costs charged to Head Start. The Office of Head Start will notify you in advance of a special review, if one is required. This matter will be referred to the Office of Administration, Administration for Children and Families, to determine whether a disallowance is appropriate.

Desk Review - Corrected

The grantee ensured it charged Head Start costs to the period in which the costs were incurred. Fiscal Year (FY) 13 salary and fringe expenditures in the amount of \$123,912 were removed

from FY 12 and charged to FY 13.

The grantee's revised Final SF-425 for the program year ending February 29, 2012 showed total Federal share of expenditures as \$21,129,610, as supported by the General Ledger and the audited financial statements for the period. The Regional Office adjusted the grantee's Head Start award to place the salary and fringe in the correct period. A review of a September 5, 2013 Notice of Award found it approved re-programming of \$123,912 from Year 46 to Year 47: the year ending February 28, 2013.

In an interview, the President/Chief Executive Officer, Vice President of Finance, Grants Administrator, Senior Vice President, Head Start Early Childhood Administrator, Head Start Program Support Manager, and Board President stated the grantee believed it was not required to submit a carry-over request because it was part of the continuation of services during the same program year. In addition, they stated the agency developed a procedure to verify the amounts spent periodically and ensure they were correct at least 90 days prior to the program year end. They added everyone present during the interview would be involved in the review process.

In addition, the grantee revised and amended its Fiscal Policies and Procedures of Carryover Balance (COB). A review of the procedures found they stated staff would be responsible for preparing the COB application for submission to the Department of Health and Human Services no later than 90 days prior to program year end. The amended procedures were approved by the governing board August 7, 2013 and the Policy Council August 12, 2013.

The grantee ensured it charged Head Start costs to the period in which the costs were incurred. This area of noncompliance is corrected.

PART 230 - Cost Principles For Non-Profit Organizations (OMB Circular A-122)

2 CFR Part 230, Appendix A - General Principles

(A) Basic Considerations

(4) Allocable costs.

(a) A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

(2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or

Triennial (3/17/2013)

The grantee claimed costs not allocable to the program in accordance with benefits received. The grantee claimed indirect costs for the fiscal year ending February 29, 2012 using a rate exceeding its approved provisional rate.

A review of the Division of Cost Allocation (DCA) Non-Profit Rate Agreement--dated February 6, 2012--found the approved final indirect cost rate was 7.6 percent for the period March 1, 2010 through February 28, 2011. In addition, a provisional indirect cost rate was set at 7.6 percent from March 1, 2011 until amended. The grantee was required to submit a new Indirect Cost Rate Proposal to the cognizant agency within 6 months after the close of the fiscal

year: by August 31, 2012. On November 14, 2012, the grantee submitted an Indirect Cost Rate Proposal to DCA for the program year ending February 29, 2012 with a proposed rate of 8.0571 percent. The grantee's proposed rate was not yet approved.

A review of the Final SF-425 for the year ending February 29, 2012 found indirect costs of \$927,201, based on a rate of 8.149 percent. Based on the provisional rate of 7.6 percent, the grantee's allowable indirect costs were \$864,735.

In an interview, the grantee's Chief Financial Officer (CFO) stated she did not know why the grantee used 8.149 percent as an indirect cost rate, as it was different from both the provisional and the proposed rates. She further stated the Final SF-425 for the program year ending February 29, 2012 was prepared prior to her hire November 19, 2012.

The grantee claimed costs not allocable to the program in accordance with benefits received; therefore, it was not in compliance with the regulation.

Additional fieldwork may be required in order to determine the total amount of potentially unallowable costs charged to Head Start. The Office of Head Start will notify you in advance of a special review, if one is required. This matter will be referred to the Office of Administration, Administration for Children and Families, to determine whether a disallowance is appropriate.

Desk Review - Corrected

The grantee allocated costs to the program in accordance with benefits received. The grantee claimed indirect costs for the fiscal year ending February 29, 2012 using a rate consistent with its approved final rate.

A review of the April 10, 2013 Division of Cost Allocation (DCA) Non-Profit Rate Agreement found the approved final indirect cost rate was 8.1 percent for the period March 1, 2011 through February 29, 2012. A review of the revised Final SF-425 for the year ending February 29, 2012--dated August 9, 2013--found it reported indirect costs of \$911,588 based on a rate of 8.1 percent, and based on the final rate of 8.1 percent, the grantee's allowable indirect costs were confirmed as \$911,588. During an interview, the Vice President of Finance stated she revised the August 9, 2013 Final SF-425 and calculated indirect costs based on the 8.1 percent rate, resulting in \$911,588. She further stated the revised policy and procedure for calculating indirect costs required use of the rate approved in writing by the Administration for Children and Families.

In an interview with the President/Chief Executive Officer (CEO), Vice President of Finance, Grants Administrator, Senior Vice President, Head Start Early Childhood Administrator, Head Start Program Support Manager, and Board President, the CEO stated the revised policy stated the agency would not change the indirect cost rate until it received an updated rate approved in writing by HHS. The Board Chair stated the grantee was concerned regarding the noncompliance and ensured proper policies and procedures were in place. In addition, training on the revised policy was provided for the new Vice President of Finance and the Grants Administrator.

The grantee allocated costs to the program in accordance with benefits received. This area of noncompliance is corrected.

Child Health & Safety

Date of Review in which Noncompliance was identified	Applicable Standards	Program Type	Status	Finding Type
<i>Mar 17, 2013</i>	<i>1304.20(a)(1)(iii)</i>	<i>HS</i>	<i>Corrected</i>	<i>Access to Health and Dental Care</i>

PART 1304 - Program Performance Standards For Operation Of Head Start Programs By Grantees And Delegate Agencies

1304.20 Child Health and Developmental Services.

(a) Determining Child Health Status

(1) In collaboration with the parents and as quickly as possible, but no later than 90 calendar days (with the exception noted in paragraph (a)(2) of this section) from the child's entry into the program (for the purposes of 45 CFR 1304.20(a)(1), 45 CFR 1304.20(a)(2), and 45 CFR 1304.20(b)(1), "entry" means the first day that Early Head Start or Head Start services are provided to the child), grantee and delegate agencies must:

(iii) Obtain or arrange further diagnostic testing, examination, and treatment by an appropriate licensed or certified professional for each child with an observable, known or suspected health or developmental problem; and

Triennial (3/17/2013)

The grantee did not obtain or arrange further diagnostic testing, examination, and treatment by an appropriate professional for children with known or suspected health problems. Five percent of the files of children with known or suspected health problems did not contain evidence of follow-up services.

A review of a sample of 19 files of children with known or suspected health concerns found 1 child did not receive further testing or treatment. A review of the health examination of the child, enrolled September 13, 2012, found the physician noted a concern with the child's vision; however, there was no indication in the file of further attempts to refer the child for follow-up testing or treatment. In an interview, the Health Coordinator assigned to the center stated the child's need was overlooked.

The grantee did not obtain or arrange further diagnostic testing, examination, and treatment by an appropriate professional for children with known or suspected health problems; therefore, it was not in compliance with the regulation.

Desk Review - Corrected

The grantee obtained or arranged further diagnostic testing, examination, and treatment by an appropriate professional for children with known or suspected health problems. The grantee implemented new procedures for follow-up to ensure children were referred when needed.

A review of the Policy for Follow up of Children with Medical Concerns found it stated the program was to refer each child with an observable, known, or suspected health or developmental concern to a licensed or certified professional. A review of the new Health

Results Tracking Key form found staff and parents were required to initial and date when referrals were made.

The grantee also updated its health-tracking documents to ensure children were referred for further testing, examination, and treatment when needed. In an interview, the Early Childhood Administrator stated the grantee revised the Health Checklist and strengthened the system for monitoring health tracking and record-keeping. She stated GenesisEarth software was used to track screening results and follow-up activities and said the grantee used a multi-disciplinary team approach to monitoring to ensure follow-up was initiated within 90 days of children's entry into the program.

In an interview, the Program Support Manager stated a Health Results tracking system was implemented to ensure follow-up referrals were made. She stated a tracking form was maintained in each child's file, allowing Family Partners to immediately identify any need for medical follow-up and treatment. She further stated referral forms were sent to Health staff, and copies were sent to parents. A review of a spreadsheet including 27 children with suspected health issues found all 27 were in the process of completing follow-up services.

The grantee obtained or arranged further diagnostic testing, examination, and treatment by an appropriate professional for children with known or suspected health problems. This area of noncompliance is corrected.

— END OF REPORT —